Primary Bank

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

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WOLF & COMPANY, P.C.

Independent Auditor's Report

To the Audit Committee of Primary Bank:

Opinion

We have audited the consolidated financial statements of Primary Bank and subsidiary (the Bank), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Wolf & Company, P.C.

Boston, MA
March 27, 2023

Primary Bank

Consolidated Balance Sheets

December 31, 2022 and 2021

	2022	2021
Assets		
Cash and due from banks	$ 3,716,074	$ 2,213,411
Interest-bearing deposits	61,364,802	151,708,350
Total cash and cash equivalents	65,080,876	153,921,761
Securities held to maturity, at amortized cost	9,810,337	10,737,464
Federal Home Loan Bank stock, at cost	735,200	119,100
Loans, net of allowance of $7,111,446 and $5,709,867 respectively	570,167,545	497,932,946
Premises and equipment, net	1,105,009	1,319,750
Operating lease right-of-use assets	1,714,373	1,996,654
Accrued interest receivable	1,486,228	1,123,710
Deferred tax asset	1,508,114	1,255,883
Other assets	2,583,889	2,370,380
	$ 654,191,571	$ 670,777,648
Liabilities and Stockholders' Equity		
Deposits	$ 564,578,220	$ 603,811,934
Borrowings	10,000,000	-
Operating lease liabilities	1,749,048	2,017,937
Accrued expenses and other liabilities	1,558,065	1,102,303
Total liabilities	577,885,333	606,932,174
Commitments and contingencies (Notes 6 and 11)		
Stockholders' equity:		
Common stock, $0.01 par value; 10,000,000 shares authorized; 4,597,447 shares issued and outstanding at December 31, 2022; 4,495,302 shares issued and outstanding at December 31, 2021;	45,974	44,953
Additional paid-in capital	55,053,938	53,254,606
Retained earnings	21,206,326	10,545,915
Total stockholders' equity	76,306,238	63,845,474
	$ 654,191,571	$ 670,777,648

The accompanying notes are an integral part of these consolidated financial statements.

Primary Bank

Consolidated Statements of Operations

Years Ended December 31, 2022 and 2021

	2022	2021
Interest and dividend income:		
Interest and fees on loans	$ 25,363,243	$ 18,709,759
Fee income on PPP loans	351,686	5,551,039
Interest on securities	223,656	60,413
Interest on short-term investments	1,896,310	190,580
Total interest income	27,834,895	24,511,791
Interest expense:		
Interest on deposits	2,501,156	2,886,497
Interest on borrowings	2,427	-
Total interest expense	2,503,583	2,886,497
Net interest income	25,331,312	21,625,294
Provision for loan losses	1,401,565	1,873,505
Net interest income, after provision for loan losses	23,929,747	19,751,789
Other income	618,387	541,423
Operating expenses:		
Salaries and employee benefits	6,041,112	4,817,690
Occupancy and equipment	800,674	579,569
Data processing	976,773	842,034
Marketing	211,815	131,703
Professional	556,051	442,454
FDIC insurance	249,163	390,422
Other general and administrative	1,078,062	1,584,483
Total operating expenses	9,913,650	8,788,355
Income before income taxes	14,634,484	11,504,857
Income tax provision	3,974,073	3,115,569
Net income	$ 10,660,411	$ 8,389,288
Earnings per share		
Basic earnings per share	$2.34	$1.90
Weighted-average shares outstanding	4,546,170	4,406,316
Diluted earnings per share	$2.23	$1.83
Weighted-average diluted shares outstanding	4,789,301	4,588,822

The accompanying notes are an integral part of these consolidated financial statements.

Primary Bank
Consolidated Statements of Changes in Stockholders' Equity

Years Ended December 31, 2022 and 2021

	Shares of Common Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance at December 31, 2020	4,387,732	$ 43,877	$ 50,900,953	$ 2,156,627	$ 53,101,457
Net income	-	-	-	8,389,288	8,389,288
Stock-based compensation - board	-	-	793,740	-	793,740
Stock-based compensation - employees	-	-	148,686	-	148,686
Issuance of common stock	2,570	26	42,277	-	42,303
Issuance of common stock upon exercise of options	52,000	520	839,480	-	840,000
Issuance of common stock upon exercise of warrants	53,000	530	529,470	-	530,000
Balance at December 31, 2021	4,495,302	$ 44,953	$ 53,254,606	$ 10,545,915	$ 63,845,474
Net income	-	-	-	10,660,411	10,660,411
Stock-based compensation - board	-	-	186,587	-	186,587
Stock-based compensation - employees	-	-	224,512	-	224,512
Common stock repurchased	(200,000)	(2,000)	(3,428,000)	-	(3,430,000)
Issuance of common stock	207,395	2,074	3,557,930	-	3,560,004
Issuance of common stock upon exercise of options	38,500	385	696,365	-	696,750
Issuance of common stock upon exercise of warrants	56,250	562	561,938	-	562,500
Balance at December 31, 2022	4,597,447	$ 45,974	$ 55,053,938	$ 21,206,326	$ 76,306,238

The accompanying notes are an integral part of these consolidated financial statements.

Primary Bank

Consolidated Statements of Cash Flows

Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net income	$ 10,660,411	$ 8,389,288
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Provision for loan losses	1,401,565	1,873,505
Accretion of net deferred loan fees/costs	(93,314)	(5,267,558)
Share-based compensation expense	411,099	942,426
Net amortization of premiums on securities	15,878	10,041
Depreciation and amortization	250,486	207,488
Deferred income tax benefit	(252,231)	(416,737)
Net change in:		
Accrued interest receivable	(362,518)	687,219
Other, net	255,645	(2,451,361)
Net cash provided by operating activities	12,287,021	3,974,311
Cash flows from investing activities:		
Paydowns of securities held to maturity	911,249	555,156
Purchase of securities	-	(10,116,986)
Purchase of Federal Home Loan Bank stock	(616,100)	(27,700)
Loan originations, net of principal repayments	(73,542,850)	(65,343,590)
Additions to premises and equipment	(35,745)	(576,780)
Net cash used in investing activities	(73,283,446)	(75,509,900)
Cash flows from financing activities:		
Net increase (decrease) in deposits	(39,233,714)	93,845,424
Net change in short-term borrowings	10,000,000	-
Proceeds from common stock warrant exercises	562,500	530,000
Proceeds from common stock issued	4,256,754	882,303
Common stock repurchased	(3,430,000)	-
Net cash provided by (used) financing activities	(27,844,460)	95,257,727
Net change in cash and cash equivalents	(88,840,885)	23,722,138
Cash and cash equivalents at beginning of period	153,921,761	130,199,623
Cash and cash equivalents at end of period	$ 65,080,876	$ 153,921,761
Supplementary information:		
Interest paid	$ 2,383,756	$ 3,030,370
Income taxes paid	4,025,196	3,888,226
Right-of-use assets obtained in exchange for lease liabilities	-	589,770

The accompanying notes are an integral part of these consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and basis of presentation

Primary Bank (the "Bank") is organized under the laws of the State of New Hampshire and commenced operations on July 28, 2015. Through a subscription offering, the Bank issued 3,046,536 shares of common stock at a price of $10 per share. During 2020, through a subsequent subscription offering, the Bank issued 1,333,334 shares of common stock at a price of $15 per share.

Principles of consolidation

The consolidated financial statements include the accounts of the Bank and its wholly-owned subsidiary, Primary Holdings, LLC. All significant intercompany balances and transactions have been eliminated in consolidation.

Business

The Bank provides a variety of financial services to small and medium-sized businesses, professionals, municipalities and not-for-profit organizations through its offices in Bedford, Manchester, Derry, and Nashua, New Hampshire. The Manchester office opened for business in January 2019. In February 2020, the Bank opened an office in Derry, New Hampshire and in December 2021, the Bank opened the Nashua, New Hampshire office. Its primary deposit products are savings, checking, money market and term certificate accounts, and its primary lending products are commercial business and commercial mortgage loans.

Significant group concentrations of credit risk

Most of the Bank's lending activities are with customers located within New Hampshire. The Bank does not have any significant concentrations to any one industry or customer.

Earnings per share

Basic net income per share is computed by dividing the net income for the period by the weighted-average number of shares outstanding during the period. Basic and diluted net income per share are considered to be the same for periods in which a net loss is reported, as the inclusion of potential common shares such as warrants and options would be antidilutive. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Bank relate to outstanding stock options and common stock warrants.

Use of estimates

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of deferred tax assets.

Reclassification

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to the current year presentation, where necessary.

Cash and cash equivalents

Cash and cash equivalents include cash, balances due from banks and interest-bearing deposits on an overnight basis. The Bank may from time to time have deposits in financial institutions which exceed the federally insured limits. The Bank has not experienced any losses in said amounts and does not believe it is exposed to any significant credit risk on this cash.

Securities held to maturity

Debt securities that management has the positive intent and ability to hold to maturity are classified as “held to maturity” and recorded at amortized cost.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities.

The Bank evaluates securities for other-than-temporary impairment (“OTTI”), at least quarterly. If the fair value of a security is less than its amortized cost basis, OTTI is required to be recognized if: (1) the Bank intends to sell the security; (2) it is “more likely than not” that the Bank will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. No OTTI has been recognized to date.

Federal Home Loan Bank Stock

The Bank, as a member of the Federal Home Loan Bank (“FHLB”) system, is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions, the stock has no quoted market value and is carried at cost. At its discretion, the FHLB may declare dividends on the stock. The Bank reviews for impairment based on the ultimate recoverability of the cost basis in the stock. As of December 31, 2022 and 2021, no impairment has been recognized.

Loans

The Bank's loan portfolio includes segments related to 1-4 and multi-family real estate, commercial owner and non-owner occupied real estate, construction, and commercial business loans.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination costs, net of certain direct origination fees, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on non-accrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on non-accrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for loan losses

The allowance for loan losses is an estimate of uncollectible amounts of the loan portfolio that is established through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of general and allocated components, as further described below.

General component

The general component of an allowance for loan losses is typically based on historical loss experience adjusted for qualitative factors stratified by the various loan segments. The Bank has limited historical loss experience and has considered the allowance coverage ratios of national and local peer groups when assessing allowance adequacy. Prospectively, the Bank will consider relevant peer group statistics, as well as its own historical loss experience. Consideration is also given to the following qualitative factors: volume and severity of past due, non-accrual and adversely classified loans; nature, volume and terms of loans; quality of the loan review system; effects of any concentrations of credit; lending policies and procedures; experience/ability/depth of lending management and staff; international, national, regional and local economic and business conditions and other external factors. There were no changes to the Bank's policies or methodology pertaining to the general component of the allowance for loan losses during 2022.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

1-4 and multi-family real estate – The Bank generally does not originate loans with a loan-to-value ratio greater than 80 percent and does not generally grant loans that would be classified as subprime upon origination. Loans in this segment are generally collateralized by non-owner occupied real estate. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Commercial owner and non-owner occupied real estate – Loans in this segment are primarily income-producing properties. The underlying cash flows generated by the properties can be adversely impacted by a downturn in the economy as evidenced by increased vacancy rates, which in turn, could have an effect on the credit quality in this segment. Management obtains rent rolls for non-owner occupied properties or financial information for owner-occupied properties annually to monitor the cash flows of these loans.

Construction loans – Loans in this segment primarily relate to speculative real estate development loans for which payment will be derived from sale of the properties. In addition, the Bank also grants construction loans for commercial properties that will be leased to related and/or unrelated commercial tenants. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Commercial business loans – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, could have an effect on the credit quality in this segment. In addition, this segment includes loans issued under the United States Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). These loans are guaranteed and are not allocated a general reserve because the Bank has not experienced losses on such loans and management expects the guarantees will be effective, if necessary.

Allocated component

The allocated component relates to loans that are classified as impaired. Based on internal credit ratings, 1-4 and multi-family real estate, commercial owner and non-owner occupied real estate, construction, and commercial business loans exceeding certain dollar amounts are evaluated for impairment on a loan-by-loan basis. Impairment is measured by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The Bank periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring ("TDR"). All TDRs are initially classified as impaired.

Premises and equipment

Leasehold improvements and equipment are carried at cost, less accumulated depreciation and amortization computed on the straight-line method over the estimated useful lives of the assets, or the original term of the lease, if shorter. The estimated useful lives of the assets are as follows:

	Years
Furniture, fixtures and equipment	3-10
Leasehold improvements	Term of lease

Leases

The Bank determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in our consolidated balance sheets.

ROU assets represent the Bank's right to use an underlying asset for the lease term and lease liabilities represent the Bank's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Bank's leases do not provide an implicit rate, the Bank used an incremental borrowing rate, which is generally the FHLB classic advance rate, based on the information available at commencement date in determining the present value of lease payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Bank will exercise that option. For operating leases, lease expense is recognized on a straight-line basis over the lease term.

The Bank elected certain practical expedients upon adoption and therefore did not reassess whether any expired or existing contracts contained leases, did not reassess the lease classification for any expired or existing leases and did not reassess initial direct costs for any existing leases. Additionally, the Bank did not elect the practical expedient to account for lease and non-lease components as one lease component option.

Transfers of financial assets

Transfers of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets.

During the normal course of business, the Bank may transfer a portion of a financial asset, for example, a participation loan. In order to be eligible for sales treatment, the transfer of the portion of the loan must meet the criteria of a participating interest. If it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing. In order to meet the criteria for a participating interest, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, the loan holders must have no recourse to the transferor other than standard representations and warranties and no loan holder has the right to pledge or exchange the entire loan.

Revenue Recognition

The Bank recognizes revenues from contracts with customers when it satisfies its performance obligations. The Bank's performance obligations are generally satisfied as services are rendered and can either be satisfied at a point in time or over time. The majority of the Bank's revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as loans, investment securities, and revenue related to mortgage servicing activities, as these activities are subject to other generally accepted accounting principles ("GAAP").

Revenues for the Bank subject to ASC 606 include customer service fees which is recognized in other income in the consolidated statements of operations. These fees are made up of service charges and fees on deposit accounts that is recognized at a point in time, including non-sufficient funds fees, overdraft charge fees and stop-payment fees. Such revenue is derived from transactional information and is recognized as revenue immediately as the transactions occur or upon providing the service to complete the customer's transaction. Payment is generally received at the time the performance obligations are satisfied.

Marketing

Marketing expenses are charged to earnings when incurred.

Stock-based compensation plan

The Bank measures and recognizes compensation cost relating to share-based payment transactions based on the grant-date fair value of the equity instruments issued which is based on the over-the-counter closing price of the Bank's stock on the grant date. Stock-based compensation is recognized over the period the employee is required to provide services for the award. Reductions in compensation expense associated with forfeited options are accounted for by recognizing forfeitures of awards as they occur. The Bank uses the Black-Scholes option-pricing model to determine the fair value of stock options granted.

Income taxes

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted accordingly through the provision for income taxes. A valuation allowance is established against deferred tax assets when, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. See Note 9.

Recent accounting pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments —Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Among other things, these amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Entities will now use forward-looking information to better form their credit loss estimates. The ASU is effective for the fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Management adopted this ASU on January 1, 2023 which resulted in a significant change in the methodology used in calculating the allowance for credit losses, however, there were no material impacts to the consolidated financial statements.

In March of 2022, the FASB issued ASU 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The amendments in the ASU eliminate the existing accounting guidance for TDRs by creditors in Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors and instead requires that an entity evaluate whether a modification represents a new loan or a continuation of an existing loan. The amendments also enhance disclosure requirements for certain loan refinancing and restructuring by creditors when a borrower is experiencing financial difficulty. All amendments in the ASU are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Bank is currently assessing the impact of the adoption of this standard on the Bank's consolidated financial statements.

2. RESTRICTIONS ON CASH AND DUE FROM BANKS

Under Regulation D, the Bank is required to maintain average balances with the Federal Reserve Bank. At December 31, 2022 and 2021, there were no required reserve balances.

3. SECURITIES HELD TO MATURITY

The amortized cost and fair value of securities held to maturity, with gross unrealized gains and losses, follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022:				
Debt securities:				
Government-sponsored residential mortgage-backed securities	$ 9,810,337	$ -	$ (1,810,222)	$ 8,000,115
December 31, 2021:				
Debt securities:				
Government-sponsored residential mortgage-backed securities	$ 10,737,464	$ 16,194	$ -	$ 10,753,658

At December 31, 2022, 7 debt securities have unrealized losses with aggregate depreciation of 18.5% from the Bank's amortized cost basis. These securities have been is a loss position for less than twelve months. The unrealized losses on the Bank's investment in government-sponsored residential mortgage-backed securities were primarily caused by interest rate risk. These investments are guaranteed by an agency of the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the par value of the investment. Because the decline in market value is attributable to changes in interest rates and not to credit quality, and because the Bank does not intend to sell the investments and it is more likely than not that the Bank will not be required to sell the investments before recovery of their amortized cost bases, which may be at maturity, the Bank does not consider these investments to be other-than-temporarily-impaired at December 31, 2022.

At December 31, 2022, residential mortgage-backed securities with carrying values of $229,994 were pledged as collateral to the FHLB against borrowing capacity. (See Note 8.)

Contractual maturities of mortgage-backed securities, which amortize monthly, at December 31, 2022 follow:

Final Maturity	Amortized Cost	Fair Value
2023	$ 4,361	$ 4,310
2025 - 2030	465,533	432,654
2045	44,564	43,016
2051	9,295,879	7,520,135
	$ 9,810,337	$ 8,000,115

4. LOANS

A summary of the balances of loans follows:

	December 31, 2022	December 31, 2021
1-4 & multi-family real estate	$ 103,969,891	$ 90,437,467
Commercial non-owner occupied	140,851,958	117,034,506
Commercial owner occupied	160,065,792	144,807,065
Construction	47,665,152	28,213,032
Commercial business	123,540,882	122,627,790
Overdrafts	4,318	1,755
Total loans	576,097,993	503,121,615
Allowance for loan losses	(7,111,446)	(5,709,867)
Deferred loan costs, net	1,180,998	521,198
Loans, net	$ 570,167,545	$ 497,932,946

The Bank has transferred portions of originated commercial real estate and construction loans to participating lenders. The amounts transferred have been accounted for as sales and are therefore not included on the Bank's accompanying consolidated balance sheets. The Bank and participating lenders share ratably in cash flows and any gains or losses that may result from a borrower's lack of compliance with contractual terms of the loans. The Bank continues to service the loans on behalf of the participating lenders and, as such, collects cash payments from the borrowers, remits payments (net of servicing fees) to the participating lenders and disburses required escrow funds to relevant parties. At December 31, 2022 and 2021, the Bank was servicing loans for participants aggregating $57,836,766 and $53,131,506, respectively.

The Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, was signed into law on March 27, 2020, and provided emergency economic relief to individuals and businesses impacted by the COVID-19 pandemic. The CARES Act authorized the SBA to temporarily guarantee loans under a new 7(a) loan program called the PPP.

As a qualified SBA lender, the Bank was automatically authorized to originate PPP loans. PPP loans have: (a) an interest rate of 1.0%, (b) a two or five-year loan term to maturity; and (c) principal and interest payments deferred until the SBA remits the forgiven amount to the company or 10 months from the end of the covered period, as defined. The SBA will guarantee 100% of the PPP loans made to eligible borrowers. The entire principal amount of the borrower's PPP loan and any accrued interest are eligible to be forgiven if certain qualifying criteria are met. As of December 31, 2022 and 2021, the Bank had $421,714 and $10,846,915 in PPP loans outstanding, respectively.

Pursuant to Section 4013 of the CARES Act, financial institutions could suspend the requirements under U.S. GAAP related to TDRs for modifications made before December 31, 2021 to loans that were current as of December 31, 2019. As of December 31, 2022, activity related to loans modified under the CARES Act was not material.

Activity in the allowance for loan losses, by loan segment, for the years ended December 31, 2022 and 2021, follows:

	1-4 & Multi Family	Commercial Non-Owner Occupied	Commercial Owner Occupied	Construction	Commercial Business	Overdrafts	Total
Balance at December 31, 2020	$ 580,035	$ 1,137,152	$ 1,020,435	$ 459,090	$ 820,692	$ -	$ 4,017,404
Provision for loan losses	320,662	519,034	788,716	(35,895)	280,988	-	1,873,505
Loans charged-off	-	(219,042)	-	-	-	-	(219,042)
Recoveries of loans previously charged-off	-	-	-	-	38,000	-	38,000
Balance at December 31, 2021	900,697	1,437,144	1,809,151	423,195	1,139,680	-	5,709,867
Provision for loan losses	141,138	300,047	196,341	288,087	475,966	(14)	1,401,565
Loans charged-off	-	-	-	-	-	-	-
Recoveries of loans previously charged-off	-	-	-	-	-	14	14
Balance at December 31, 2022	$ 1,041,835	$ 1,737,191	$ 2,005,492	$ 711,282	$ 1,615,646	$ -	$ 7,111,446

	1-4 & Multi Family	Commercial Non-Owner Occupied	Commercial Owner Occupied	Construction	Commercial Business	Overdrafts	Total
At December 31, 2022:							
Allowance for impaired loans	$ -	$ -	$ -	$ -	$ 341,462	$ -	$ 341,462
Allowance for non-impaired loans	1,041,835	1,737,191	2,005,492	711,282	1,274,184	-	6,769,984
Total allowance for loan losses	$ 1,041,835	$ 1,737,191	$ 2,005,492	$ 711,282	$ 1,615,646	$ -	$ 7,111,446
Impaired loans	$ -	$ -	$ -	$ -	$ 341,462	$ -	$ 341,462
Non-impaired loans	103,969,891	140,851,958	160,065,792	47,665,152	123,199,420	4,318	575,756,531
Total loans	$103,969,891	$ 140,851,958	$160,065,792	$ 47,665,152	$ 123,540,882	$ 4,318	$ 576,097,993
At December 31, 2021:							
Allowance for impaired loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Allowance for non-impaired loans	900,697	1,437,144	1,809,151	423,195	1,139,680	-	5,709,867
Total allowance for loan losses	$ 900,697	$ 1,437,144	$ 1,809,151	$ 423,195	$ 1,139,680	$ -	$ 5,709,867
Impaired loans	$ -	$ -	$ -	$ -	$ 341,462	$ -	$ 341,462
Non-impaired loans	90,437,467	117,034,506	144,807,065	28,213,032	122,286,328	1,755	502,780,153
Total loans	$ 90,437,467	$ 117,034,506	$144,807,065	$ 28,213,032	$ 122,627,790	$ 1,755	$ 503,121,615

Information regarding past due and non-accrual loans at December 31, 2022 and 2021 is as follows:

	December 31, 2022					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	90 Days or More Past Due and Still Accruing	Non-accrual
Commercial Business	$ -	$ -	$ 341,462	$ 341,462	$ -	$ 341,462
Total	$ -	$ -	$ 341,462	$ 341,462	$ -	$ 341,462

	December 31, 2021					
	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	90 Days or More Past Due and Still Accruing	Non-accrual
Commercial Business	$ -	$ -	$ 341,462	$ 341,462	$ -	$ 341,462
Total	$ -	$ -	$ 341,462	$ 341,462	$ -	$ 341,462

The following is information pertaining to impaired loans:

	December 31, 2022		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans with a valuation allowance:			
Commercial Business	$ 341,462	$ 341,462	$ 341,462
Total impaired loans	$ 341,462	$ 341,462	$ 341,462

	December 31, 2021		
	Recorded Investment	Unpaid Principal Balance	Related Allowance
Impaired loans without a valuation allowance:			
Commercial Business	$ 341,462	$ 341,462	$ -
Total impaired loans	$ 341,462	$ 341,462	$ -

	2022		
	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis
Commercial Business	$ 341,462	$ -	$ -
Total	$ 341,462	$ -	$ -

	2021		
	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis
1-4 & Multi-Family	$ 60,913	$ -	$ -
Commercial Non-Owner Occupied	2,025,243	7,719	7,719
Commercial Business	197,803	6,876	6,876
Total	$ 2,283,959	$ 14,595	$ 14,595

The Bank did not enter into any troubled debt restructuring agreements during the years ended December 31, 2022 and 2021.

Credit quality information

The Bank's risk rating system is designed to provide concise and accurate assessments of the quality of the commercial loan portfolio. The risk rating system provides a means of identifying those credits that warrant special handling and/or a greater degree of monitoring for deteriorating situations. The risk rating system is designed in a way that is consistent with the size and complexity of the Bank.

Loans rated 1-5 are considered "pass" rated with low to average risk.

Loans rated 6 are considered "other assets especially mentioned". Borrowers have higher risk profiles but not to the point of justifying a classification of substandard. Although the asset is currently protected, there are potential weaknesses which may, if not checked or corrected, weaken the asset, deteriorate the repayment prospects for the asset, or inadequately protect the Bank's credit position at some future date.

Loans rated 7 are considered "substandard". Although there may be the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected, a substandard rating does not necessarily imply a future loss. The bank need not be in an exit mode with the relationship in order for the substandard rating to apply.

Loans rated 8 are considered "doubtful". Weaknesses are so significant that the possibility of a principal loss is extremely high. The loan must be on non-accrual.

Loans rated 9 are considered a "loss". Weaknesses are so significant that the asset is considered uncollectible and of such little value that their continuance as bankable assets is not warranted. Its balance should be written off in the period in which they surface as uncollectable.

The following tables present the Bank's 1-4 and multi-family real estate and commercial loans by risk rating at December 31, 2022 and 2021.

	December 31, 2022				
	1-4 & Multi-Family Real Estate	Commercial Non-Owner Occupied	Commercial Owner Occupied	Construction	Commercial Business
Loans rated 1-5	$ 102,738,891	$ 140,851,958	$ 158,408,875	$ 47,665,152	$ 119,353,631
Loans rated 6	1,231,000	-	1,656,917	-	3,845,789
Loans rated 9	-	-	-	-	341,462
	$ 103,969,891	$ 140,851,958	$ 160,065,792	$ 47,665,152	$ 123,540,882

	December 31, 2021				
	1-4 & Multi-Family Real Estate	Commercial Non-Owner Occupied	Commercial Owner Occupied	Construction	Commercial Business
Loans rated 1-5	$ 90,437,467	$ 115,051,339	$ 144,013,255	$ 28,213,032	$ 120,350,923
Loans rated 6	-	1,983,167	793,810	-	2,276,867
	$ 90,437,467	$ 117,034,506	$ 144,807,065	$ 28,213,032	$ 122,627,790

5. PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation and amortization of premises and equipment follows:

	December 31, 2022	December 31, 2021
Furniture, fixtures and equipment	$ 998,109	$ 956,348
Leasehold improvements	1,037,010	1,043,026
	2,035,119	1,999,374
Less accumulated depreciation and amortization	(930,110)	(679,624)
	$ 1,105,009	$ 1,319,750

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 amounted to $250,486 and $207,488, respectively.

6. LEASES

The Bank has four operating leases for its operations center and branch locations. The leases have remaining lease terms of one year to nine years with renewal options of two-year terms up to twenty years. None of the renewal options to extend have been included in the lease term as it was determined that it was not reasonably certain that the Bank will exercise the option. The Bank does not have any material short-term leases.

Lease expense is as follows:

	2022	2021
Operating lease cost	$ 392,289	$ 278,816

Supplemental cash flow and other information related to leases is as follows:

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 307,922	$ 276,802
Weighted average remaining lease term (in years)	7.8	8.5
Weighted average discount rate	2.04%	2.07%

Future undiscounted lease payments for operating leases are as follows:

Years Ending December 31,	
2023	$ 312,058
2024	249,789
2025	189,801
2026	194,321
2027	198,975
2028 - 2031	750,777
Total lease payments	1,895,722
Less imputed interest	(146,674)
Total lease liability	$ 1,749,048

7. DEPOSITS

A summary of deposit balances, by type, follows:

	December 31, 2022	December 31, 2021
NOW and demand	$ 212,479,482	$ 229,228,885
Money market deposits	204,757,300	226,766,453
Regular savings and other	18,980,059	22,146,145
Total demand accounts	436,216,841	478,141,483
Term certificates less than $250,000	99,569,650	101,992,746
Term certificates of $250,000 or more	28,791,729	23,677,705
Total certificate accounts	128,361,380	125,670,451
Total deposits	$ 564,578,220	$ 603,811,934

A summary of certificate accounts by maturity follows:

	December 31,		Weighted Average Rate	
	2022	2021	2022	2021
Within 1 year	$ 84,899,069	$ 100,718,869	1.88%	0.77%
Over 1 year to 2 years	37,453,101	13,989,791	2.60	1.45
Over 2 years to 3 years	4,239,149	3,958,832	1.79	1.09
Over 3 years to 4 years	1,667,804	4,378,635	1.64	1.45
Over 4 years	102,257	2,624,324	0.97	1.06
	$ 128,361,380	$ 125,670,451	2.08%	0.89%

8. BORROWINGS

Line of Credit

The Bank has a $2,000,000 unsecured available line of credit with a correspondent bank at an interest rate that adjusts daily. At December 31, 2022 and 2021, there were no amounts outstanding.

Short-term Borrowings

Federal Home Loan Bank of Boston (FHLB) advances with an original maturity of less than one year amounted to $10,000,000 at December 31, 2022, at a weighted average rate of 4.37%. All borrowings from the FHLB are secured by a blanket security agreement on qualified collateral, principally the Bank’s capital stock in FHLB, mortgages and mortgage notes in an aggregate amount equal to the outstanding advances.

9. INCOME TAXES

Allocation of federal and state income taxes between current and deferred portions is as follows:

	2022	2021
Current tax provision:		
Federal	$ 2,995,735	$ 2,498,339
State	1,230,569	1,033,967
	4,226,304	3,532,306
Deferred tax benefit:		
Federal	(179,793)	(298,254)
State	(72,438)	(118,483)
	(252,231)	(416,737)
	$ 3,974,073	$ 3,115,569

The reasons for the difference between the statutory federal income tax provision and the actual tax provision is summarized as follows:

	2022	2021
Statutory federal tax (21%)	$ 3,073,242	$ 2,416,020
Increase (decrease) resulting from:		
State taxes, net of federal tax benefit	914,923	723,232
Other, net	(14,092)	(23,683)
Total income tax provision	$ 3,974,073	$ 3,115,569

The effects of each item that give rise to deferred taxes are as follows:

	2022	2021
Organization and start-up costs	$ 160,635	$ 182,350
Allowance for loan losses	1,879,533	1,523,008
Deferred rent expense	9,364	5,764
Depreciation and amortization	(192,099)	(102,191)
Other, net	(18,317)	76,899
Deferred loan costs	(488,107)	(429,947)
Nonqualified stock options	157,105	-
Net deferred tax asset	$ 1,508,114	$ 1,255,883

At December 31, 2022 and 2021, the Bank had no uncertain tax positions. The Bank accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. The Bank has no interest or penalties recorded for the years ended December 31, 2022 and 2021.

The Bank's income tax returns are subject to review and examination by federal and state taxing authorities. The Bank is currently open to audit under the applicable statutes of limitations by the Internal Revenue Service for the years ended December 31, 2022, 2021, 2020 and 2019. The years open to examination by state taxing authorities vary by jurisdiction; no years prior to 2019 are open.

10. MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Bank is subject to various regulatory capital requirements administered by the Federal Deposit Insurance Corporation ("FDIC"). Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Federal banking regulations for community banking institutions include minimum capital ratios as set forth in the following table. Additionally, community banking institutions must maintain a capital conservation buffer of common equity Tier 1 capital in an amount greater than 2.5% of total risk-weighted assets to avoid being subject to limitations on capital distributions and discretionary bonuses. At December 31, 2022 and 2021, the Bank exceeded the required capital conservation buffer of 2.5% of total risk-based assets.

For regulatory capital purposes, loans made under the PPP are risk-weighted at 0% in risk-based capital calculations and are included in total average assets for purposes of the Tier 1 leverage ratio calculation.

As of December 31, 2022, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, common equity Tier 1 risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. The Bank's actual capital amounts and ratios as of December 31, 2022 and 2021 are also presented in the table. There are no conditions or events since that notification that management believes have changed the Bank's category. Management believes, as of December 31, 2022, that the Bank meets all capital adequacy requirements to which it is subject.

	Actual		Minimum Capital Requirement		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
December 31, 2022:						
Total capital (to risk weighted assets)	$ 83,417	13.9%	$ 47,906	8.0%	$ 59,883	10.0%
Common equity Tier 1 capital (to risk weighted assets)	76,306	12.7	$ 26,947	4.5%	$ 38,924	6.5%
Tier 1 capital (to risk weighted assets)	76,306	12.7	$ 35,930	6.0%	$ 47,906	8.0%
Tier 1 leverage ratio (to average assets)	76,306	11.4	$ 26,824	4.0%	$ 33,530	5.0%
December 31, 2021:						
Total capital (to risk weighted assets)	$ 69,555	13.6%	$ 40,848	8.0%	$ 51,060	10.0%
Common equity Tier 1 capital (to risk weighted assets)	63,845	12.5	$ 22,977	4.5%	$ 33,189	6.5%
Tier 1 capital (to risk weighted assets)	63,845	12.5	$ 30,636	6.0%	$ 40,848	8.0%
Tier 1 leverage ratio (to average assets)	63,845	9.4	$ 27,144	4.0%	$ 33,930	5.0%

11. COMMITMENTS AND CONTINGENCIES

Loan commitments

The Bank is a party to credit related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and advance funds on lines-of-credit and construction loans. Such commitments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the consolidated balance sheets.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank uses the same credit policies in making commitments as it does for on-balance sheet instruments.

At December 31, 2022 and 2021, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2022	2021
Commitments to grant loans	$ 54,407,000	$ 44,862,000
Unadvanced funds on lines-of-credit	53,568,734	42,353,173
Unadvanced funds on construction loans	29,723,473	29,132,307
Unadvanced funds on real estate loans	18,627,544	16,360,217

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines-of-credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis and the commitments are collateralized by real estate or other business assets.

Executive employment agreements and change of control

The Bank has entered into employment agreements with certain executives that provide for specified annual compensation and certain other benefits, as defined in the agreements, for original terms of one to two years. Thereafter, the agreements automatically extend for an additional one-year term unless the Board of Directors or the executive has given the other party notice within a specified number of days prior to the anniversary of the agreement.

Such employment may be terminated for cause, as defined, without incurring any continuing obligation. Three agreements also provide for a specified lump sum cash payment to the executives upon a change in control of the Bank (as defined in the agreement). If a change of control occurs after the executive has retired in good standing, the executive will be entitled to a reduced lump sum cash payment.

12. RESTRICTIONS ON DIVIDENDS

Federal and state banking regulations place certain restrictions on dividends paid by the Bank. The Board of Directors of the Bank may declare dividends from the Bank's net earnings remaining after deducting all losses and expenses from the two most recent fiscal years. The Board of Directors may also declare dividends from its cumulative retained earnings from the previous fiscal years, provided that it remains well capitalized after the declaration of the dividend under the regulations of the FDIC. No dividends have been declared as of December 31, 2022 and 2021.

13. RELATED PARTIES

In the ordinary course of business, the Bank has granted loans to directors and their affiliates with outstanding balances of $34,887,254 and $31,069,520 at December 31, 2022 and 2021, respectively. New related party loans amounted to $5,137,752 and $7,155,647 during the years ended December 31, 2022 and 2021, respectively. Repayment of principal amounted to $1,320,019 and $9,612,080 during the years ended December 31, 2022 and 2021, respectively. Unadvanced funds on related party lines of credit amounted to $1,327,452 and $1,940,244 at December 31, 2022 and 2021, respectively. Additionally, deposits amounting to $83,307,664 and $62,823,672 at December 31, 2022 and 2021, respectively, are held at the Bank by senior management, directors and their affiliates.

All of the Bank's operating leases are on properties that are owned by directors of the Bank and have been independently evaluated to ensure they have been executed at market rate and terms.

14. STOCK PLAN

Stock Options

Stock option activity for the years ended December 31, 2022 and 2021 is as follows:

	2022		2021	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Shares under option:				
Outstanding at beginning of year	373,200	$ 13.13	222,900	$ 10.79
Granted	238,000	20.97	204,950	16.46
Exercised	(38,500)	18.10	(52,000)	16.15
Forfeited	(72,770)	15.97	(2,650)	15.00
Outstanding at end of year	499,930	$ 16.07	373,200	$ 13.13
Options exercisable at end of year	349,440	$ 14.41	315,057	$ 12.91

The weighted average remaining contractual life as of December 31, 2022 and 2021 on options outstanding and options exercisable is 7.7 years and 7.6 years, respectively.

As of December 31, 2022, unrecognized share-based compensation expense related to non-vested options amounted to $983,669. This amount is expected to be recognized over a weighted average period of 1.1 years. The intrinsic value of stock options exercised during 2022 is $236,875.

The fair value of stock options granted during 2022 and 2021 and the weighted average assumptions used to estimate the fair value are as follows:

	2022	2021
Weighted average grant date fair value of stock options granted during the period	$ 6.88	$ 4.86
Dividend yield	-%	-%
Expected volatility	29.28%	27.76%
Risk-free interest rate	2.24%	0.98%
Expected life	5.96	6.25

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The expected volatility is based on historical volatility of the ABA Community Bank Fund Index. The risk-free interest rate for periods consistent with the expected term (years) of the awards is based on the U.S. Treasury yield curve in effect at the time of the grant. The average expected life was estimated using the simplified method to determine the expected life based on the vesting period and contractual terms, since the Bank does not have the necessary historical exercise data to determine an expected life for stock options. The dividend yield assumption (0%) is based on the expectation of dividend payouts.

Stock Incentive Plan

The Bank has adopted the 2015 Stock Incentive Plan (the "Stock Plan"), whereby 435,157 shares of the Bank's common stock have been reserved for issuance. Under the Stock Plan, the Bank may grant incentive stock options, non-qualified stock options and restricted stock awards to its employees, officers, directors and consultants. The exercise price for each option will be established at the discretion of the Bank's Board of Directors (the "Board") but may not be less than the greater of $10.00 per share, or the fair market value of the stock on the grant date. The term of each option will be fixed by the Board and may not exceed ten years from the date of grant. Options and restricted stock awards will generally vest over four years unless otherwise determined by the Board. Vesting may be accelerated upon a change in control, as defined in the Stock Plan. The following table shows the status of options available under the Stock Plan.

The following table shows the status of options available under the Stock Plan.

Stock Incentive Plan	Options Reserved	Options Outstanding	Options Exercised	Available Options
As of December 31, 2020	435,157	222,900	-	212,257
As of December 31, 2021	435,157	267,200	-	167,957
As of December 31, 2022	435,157	385,930	4,500	44,727

For the year ended December 31, 2022 and 2021, share-based compensation expense applicable to the plan amounted to $224,512 and $148,686, respectively.

Board of Directors Stock Option Plan

The Bank has adopted the 2021 Stock Option Plan (the "Stock Plan"), whereby 200,000 shares of the Bank's common stock have been reserved for issuance. Under the Stock Plan, the Bank may grant non-qualified stock options and restricted stock awards to its employees, officers, directors and consultants. The exercise price for each option will be established at the discretion of the Bank's Board of Directors (the "Board"), but may not be less than the greater of $15.00 per share, or the fair market value of the stock on the grant date. The term of each option will be fixed by the Board and may not exceed ten years from the date of grant. Options and restricted stock awards will generally vest immediately unless otherwise determined by the Board. The following table shows the status of options available under the Stock Plan.

Stock Option Plan	Options Reserved	Options Outstanding	Options Exercised	Available Options
As of December 31, 2020	200,000	83,000	-	117,000
As of October 19, 2021	200,000	158,000	-	42,000
As of December 31, 2021	200,000	106,000	52,000	42,000
As of December 31, 2022	200,000	114,000	86,000	-

For the years ended December 31, 2022 and 2021, share-based compensation expense applicable to the plan amount to $186,587 and $793,740 respectively. Cash received from stock option exercises was $696,750 and $840,000, for the years ended December 31, 2022 and 2021, respectively.

The Bank issues new shares to satisfy stock option exercises.

Board of Directors' Stock Compensation

Effective January 1, 2019, under the terms of the 2019 Director Stock Compensation Plan (the "Director Stock Plan"), the Board of Directors approved compensation to each director of the Bank equivalent to $100 per Board or Committee meeting attended, paid in the form of stock grants. The Board of Directors approved compensation to each director of the Bank equivalent to $500 per Board or $200 per Committee meeting attended effective January 1, 2022, paid in the form of stock grants. These stock grants are accumulated during a calendar year and issued annually in accordance with the Director Stock Plan. For the year ended December 31, 2022, the equivalent of $117,868 was collectively earned by the Bank's Directors and will be issued in the form of common stock in 2023. For the year ended December 31, 2021, the equivalent of $130,004 was collectively earned by the Bank's Directors and was issued in the form of common stock in 2022.

Common Stock Warrant Plan

The Bank adopted the Common Stock Warrant Plan (the "Warrant Plan"), whereby warrants for 280,000 shares were granted to original investors in the Bank's predecessor entity while in the organization phase, and that purchased common stock in the Bank's initial stock offering. The warrants allow holders, for a period of ten years after the effective date (November 12, 2015) of the warrants, to purchase Bank common stock for $10 per share. Warrants do not entitle holders to voting rights or dividends. During the year ended December 31, 2022, 20,000 new warrants were issued bringing total warrant issuance to the maximum allowed of 300,000 shares and 56,250 warrants were exercised at $10 per share for net proceeds of $562,500. During the year ended December 31, 2021, 53,000 warrants were exercised at $10 per share for net proceeds of $530,000.

At December 31, 2022, there were 185,500 unexercised warrants and the weighted average remaining life of the outstanding warrants is 3.5 years. The intrinsic value of the warrants exercised during 2022 was $801,563.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2023, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the consolidated financial statements.